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# **National Intelligence Bulletin**

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# National Intelligence Bulletin

July 8, 1975

## CONTENTS

PORTUGAL: Policy statement  
debate today . . . . . 1

EUROPEAN SECURITY CONFERENCE: Finland  
delays summit-level finale . . . . . 2

[REDACTED]

25X1

MALAYSIA-CHINA: Kuala Lumpur becoming  
dissatisfied with relations with China . . . . . 4

THAILAND - NORTH VIETNAM: Thais apparently  
refuse to continue normalization talks . . . . . 5

[REDACTED]

25X1

JAPAN: Miki has caused some  
resentment in his party . . . . . 7

[REDACTED]

25X1

SAUDI ARABIA - IRAN: Talks on Persian  
Gulf security termed "useful" by Saudis . . . . . 10

MOROCCO-ALGERIA: Joint statement may  
ease tensions over Spanish Sahara . . . . . 11

[REDACTED]

25X1

CHILE: Cancellation of UN commission  
visit harms foreign investment prospects . . . . . 13

MEXICO: Echeverria hopes trip  
strengthens ties to Third World . . . . . 14

[REDACTED]

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## National Intelligence Bulletin

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July 8, 1975

### PORTUGAL

The Armed Forces General Assembly convenes today to debate the relatively moderate policy statement issued by the Revolutionary Council on June 21.

Since then, the authority of the military leadership has been eroded by:

- widespread strikes and civil disobedience;
- the unresolved dispute over the Socialist newspaper *Republica*;
- the Catholic Church's refusal to acquiesce in an order nationalizing its radio station;
- the massive jailbreak by members of the former regime's secret police.

On top of this, Socialist Party leader Mario Soares has threatened to paralyze the country with mass demonstrations if press freedom is not assured.

The Communists are reported by the press to have placed their followers on alert because, they claim, an effort may be made to oust Prime Minister Vasco Goncalves, their most powerful ally in the military. According to the US embassy, the head of the internal security forces, General Otelo de Carvalho, intervened and forced the Communists to back down on the threats to set up roadblocks and checkpoints.

The session beginning today will provide an opportunity for extreme leftists within the military to press for a more radical approach. A proposal that the military forge "direct links with the people" is one of the key items on the assembly agenda.

In the policy statement last month, the Revolutionary Council approved the idea of direct links between the Armed Forces Movement and the people, but did not say how the idea was to be realized. Leftist officers—often associated with General Carvalho—would like to abolish political parties and form "popular councils," which they say would provide the armed forces with the links they want. The Portuguese Communist Party wants to maintain the status of political parties, but also favors establishment of "committees for the defense of the revolution," which it says would provide links with the people.

The US embassy reports that pressure is building up within the Movement to tilt further to the left. In preparatory meetings for the assembly, the army called for firm action to reassert authority of the military and for immediate steps to ensure a "progressive interpretation" of the policy statement. The navy also demanded strong action to strengthen "progressive" forces. [REDACTED]

25X1

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## National Intelligence Bulletin

July 8, 1975

### EUROPEAN SECURITY CONFERENCE

Finland announced yesterday that it was no longer possible to stage a summit-level finale to the European security conference in Helsinki on July 28, stating that a minimum of three weeks' advance notice is required to make the necessary preparations. For every day the conference participants fail to reach agreement in Geneva, therefore, the summit in Helsinki will be delayed an additional day as well.

Agreement on setting a date for a summit has been held up in Geneva by the demands of several smaller Western and neutral states that further progress must first be made toward settling unresolved issues. Turkey and Malta are most firmly opposed to setting a date, and the Netherlands, Belgium, Spain, and Romania have also raised objections.

Over the weekend, tentative agreement was reached on most outstanding East-West issues, and yesterday a tentative, but still fragile, compromise was worked out on follow-on procedures for the conference. The French now appear willing to agree to additional follow-up meetings of senior officials and a possible second conference.

Turkish demands for a special clause exempting them from certain provisions concerning confidence-building measures and Ankara's insistence on Turkish-Cypriot representation in Helsinki remain as the major obstacles to agreement. Western delegates believe that most of the resistance concerning confidence-building measures is coming from the Turkish military, and they are hoping that the West Germans can apply sufficient pressure when the chief of Turkish armed forces, General Sancar, visits Bonn from July 7 to 10. Major demarches are also being made in Ankara in hopes of forcing a change of policy when the Turkish cabinet meets tomorrow.

Most of the debate in Geneva yesterday centered on a French proposal establishing the end of July as a target date for the summit, while giving the participants until July 12 to work out their differences on the most important issues. If the July 12 deadline is not met, the Helsinki summit will be postponed and conference participants would assume Finland's costs of beginning preparations for the four-day, heads-of-state meeting.

EC political directors are meeting in Rome today, and a firm decision to support the French proposal could be decisive in breaking the deadlock. Last night, conference participants agreed to postpone their next session until this evening to allow more time for informal negotiations and further consultations.

25X1

25X1

25X1

25X1

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## National Intelligence Bulletin

July 8, 1975

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### MALAYSIA-CHINA

Kuala Lumpur is becoming increasingly dissatisfied with its relations with Peking.

The Malaysians had some misgivings over the opening of diplomatic relations with the Chinese a year ago, but for a time were reassured by Peking's correct behavior. However, they were upset in April when the Chinese Communist Party sent anniversary greetings to the Malayan Communist Party. Prime Minister Razak was extremely irritated over this, even though the Chinese had attempted to impress on him during his visit to Peking last year that moral support to liberation movements is not incompatible with amicable state relations. Although there is no evidence that the Chinese are materially aiding the Malayan Communist Party, the message coincided with a spurt in terrorism that had already raised Malaysian concern over the consequences of communist victories in Indochina.

Now, the Malaysian government is also distressed over growing Chinese embassy contacts with Malaysian Chinese, which Kuala Lumpur describes as being "on the fringes of the diplomatically acceptable." Malaysian limits on diplomatic propriety in this case are extremely narrow; some Malaysians see the embassy's cultivation of local Chinese as confirming their fears that a Chinese diplomatic presence would lead to subversion.

To show its displeasure, Kuala Lumpur has decided to scale down cultural and other exchanges. It has canceled the visit of a Chinese acrobatic troupe and has postponed the visit of a trade mission to China. Trade relations with the Chinese have not, in fact, lived up to expectations.

Nevertheless, rapprochement with Peking remains central to Malaysia's nonaligned foreign policy. Kuala Lumpur's current disappointment may, however, reinforce the cautious attitude of Indonesia and Singapore toward diplomatic ties with the Chinese.

25X1

## National Intelligence Bulletin

July 8, 1975

### THAILAND - NORTH VIETNAM

Thai leaders apparently have decided to decline a North Vietnamese invitation to continue bilateral negotiations in Hanoi this month, aimed at possible normalization of relations.

The Thai will refuse on the grounds that Foreign Minister Chatchai, to whom the invitation was extended, will be accompanying Prime Minister Khukrit on visits abroad at that time. According to the US embassy, however, the real reason is that Thai officials want all details of a joint communique worked out before a delegation travels to Hanoi.

Discussions in Bangkok in late May bogged down over North Vietnamese demands for the return of US military equipment removed from South Vietnam to Thailand at the end of the Vietnamese conflict. The Thai were annoyed at the Vietnamese negotiators' aggressive attitude and at efforts to garner beneficial propaganda from the talks.

The Thai are hopeful that the normalization of diplomatic relations with China will serve, in part, to counteract Hanoi's expanded presence in Southeast Asia.

Thai officials thus may well adopt a wait-and-see attitude before resuming discussions with North Vietnam. This, coupled with Hanoi's past inflexibility, indicates that it will probably be several months before any meaningful dialogue will be established.

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## National Intelligence Bulletin

July 8, 1975

### JAPAN

Takeo Miki's operating style and last-minute reverses in his first Diet session as Prime Minister have caused some resentment within the ruling Liberal Democratic Party (LDP), but he probably will ride out his current difficulties and lead the party into a general election—most likely in December.

For the first time in years, two budget-related proposals failed to reach a final vote before the Diet adjourned on July 4, an outcome that shocked LDP leaders and overshadowed Miki's otherwise satisfactory legislative performance. The setback also touched off a new round of complaining among rank-and-file party members dissatisfied with Miki's tactic of cooperating with the political opposition at the occasional expense of LDP unity. Previously, a dozen LDP members had abstained from voting on an electoral reform bill—a move that nearly led to the defeat of one of Miki's major reform proposals.

At a press conference the following day, Miki admitted the need for closer consultations within his own party, but also reaffirmed his intent to cooperate with elements of the opposition. He ruled out any immediate shuffle of the cabinet or party leadership, and vowed to push the budget proposals through an extraordinary Diet session in the fall.

Meetings of the major LDP factions later on July 5 indicate no change in the balance of power sustaining Miki in office. The followers of LDP Secretary General Nakasone and Deputy Prime Minister Fukuda voiced support of Miki, while the factions of former prime minister Tanaka and Finance Minister Ohira remained sharply critical. Significantly, Ohira appeared as scheduled with Miki at a political rally the following day; as a major contender for power and having been especially stung by the failure of the budget proposals, the finance minister might have used this occasion to withdraw from the cabinet. The emotions of the past week should subside somewhat now that the Diet has adjourned.

Even so, one of Miki's major strategems—using opposition support as leverage within his own party to push various reform proposals—has been damaged. Lacking a strong power base of his own, he will at least have to assuage some of the resentment within his party and, in all likelihood, remain more sensitive to this consideration in the future. Otherwise, Miki is banking on a gradual economic upturn and favorable publicity from his trip to the US next month—and from a similar trip by the Emperor in October—to set the stage for a successful general election near the end of the year.

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Next 1 Page(s) In Document Exempt

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## National Intelligence Bulletin

July 8, 1975

### SAUDI ARABIA - IRAN

The Saudis report that Crown Prince Fahd held "useful" discussions on the "general subject" of Persian Gulf security during his visit to Iran last week.

According to the final communique, the two sides agreed that the Gulf should remain a "peaceful, secure, and stable region, free from foreign interference. Moreover, the necessity for keeping the region free from foreign bases was confirmed."

An official of the Saudi Foreign Ministry who accompanied Prince Fahd on the visit stated, in a conversation on July 5 with US officials in Jidda, that the reference to foreign bases included not only US navy facilities in Bahrain and Soviet installations in Iraq, but also US communications facilities in Iran. This is the first time that US facilities in Iran have been mentioned since the Gulf states began talking about a security arrangement. The Saudi official's comment may not, in fact, have accurately reflected the talks between Fahd and the Shah.

Despite agreement with the Iranians on opposition to foreign activity in the Persian Gulf—a position already spelled out in Saudi policy statements—the Saudis apparently showed little enthusiasm for Tehran's proposed Gulf security conference. The Saudi official said that the Saudi side demurred when the Iranians tried to insert language in the communique endorsing the holding of such a conference soon. The Saudis are contending, according to the official, that complete agreement on security arrangements should be worked out bilaterally before any such conference is held—thus ensuring that the smaller Gulf states are not forced to accept positions with which they do not agree.

Although trying to depict themselves as protectors of the interests of the small states, the Saudis are probably more concerned with being railroaded into arrangements they do not want. They favor general cooperation among Gulf states, but are suspicious of any formal defense pact, fearing that such an arrangement would legitimize a stronger Iranian role on the Arab side of the Gulf.

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## National Intelligence Bulletin

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July 8, 1975

### MOROCCO-ALGERIA

Tensions between Morocco and Algeria have eased with the publication of a statement professing common understanding on the future of Spanish Sahara. In a joint communique issued on July 4 at the end of a four-day visit to Rabat by Algerian Foreign Minister Bouteflika, the Algerian side noted "with complete satisfaction" the "understanding" between Morocco and Mauritania regarding the future of Spanish Sahara. According to other reporting, this "understanding" envisages a partition of the disputed territory—assuming that Spain goes along—with the phosphate-rich northern region going to Morocco and the southern portion, containing iron ore deposits, to Mauritania.

The communique also stated that Morocco and Algeria were determined to implement projects that have been agreed to but never acted upon. This presumably refers to an accord signed in 1972 providing for joint exploitation of iron deposits in southwestern Algeria and to an accompanying border agreement in which Morocco renounced all claims to Algerian territory. Rabat's failure to ratify the border agreement, in part because Moroccan political parties denounced it, has been a major sticking point in relations with Algeria. Algiers ratified the border agreement in 1973.

So far, there has been no confirmation of the understanding from Algiers other than publication of the joint communique, which is sufficiently vague to allow Algeria room for maneuver. We doubt that President Boumediene, who has consistently opposed Morocco's claim and has supported self-determination for the territory, is ready to make such an about-face. He considers the border accord with Morocco a dead issue, and last November he announced plans to push ahead with unilateral exploitation of the iron deposits in southwestern Algeria.

Algeria's position may become clearer when it makes an oral presentation this week to the International Court of Justice, which is to give an advisory opinion on legal aspects of the Saharan dispute. Algeria's future policy toward the Polisario Front, a pro-independence Saharan party that Algiers has been backing, will be another indicator of the degree of Algerian support for Morocco's claim to the Sahara. [REDACTED]

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## National Intelligence Bulletin

July 8, 1975

### CHILE

President Pinochet's abrupt decision to cancel the visit this week of the UN Human Rights Commission is likely to damage government efforts to obtain badly needed credits and new foreign investment. A number of West European nations are already sour on Chile because of its abuses in the human rights field and its poor credit standing. Pinochet's latest action may, in particular, complicate Chile's attempts to renegotiate its foreign debt, on which principal payments amounting to \$490 million are due this year. The British have been intransigent on this issue, and other creditor nations may follow suit.

In his speech banning the visit by the UN commission, Pinochet reiterated that Chile would not receive such groups unless the USSR and Cuba were likewise made subjects of investigation. Pinochet's sharp words about the international Marxist campaign directed against Chile probably reflect his annoyance with recent resolutions by the International Labor Organization in Geneva and the International Women's Conference in Mexico City, both of which harshly condemned the military government.

Reports that the UN group had interviewed Chilean exiles in advance of the planned trip to Santiago probably heightened the Chilean leader's fears over the prospect of yet another rebuke by an international organization. Pinochet evidently has opposed any offer to invite independent observers into Chile to study alleged human rights violations. Indeed, favorable responses to earlier overtures probably can be attributed solely to efforts by those junta advisers who seek to moderate the country's international image.

The government's nervousness over reported plans by communist and other political opponents to step up labor and peasant agitation may also have played a part in Pinochet's decision. The press claimed recently that the outlawed Communist Party had instructed militants to take asylum in foreign embassies to embarrass the government during the UN group's visit.

If junta leaders are fully behind the President on his decision to adopt a hard line on the human rights issue—and if it sticks—Chile will face growing problems in obtaining financial and military aid at a time when it can least afford it. Mounting economic troubles and an imbalance in military hardware with neighboring Peru—its principal adversary—could lead to an increase in internal tensions as military and civilian officials seek a turnabout in Chilean fortunes. The result over the longer run could be a gradual erosion of unity within the military junta.

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## National Intelligence Bulletin

July 8, 1975

### MEXICO

President Echeverria begins a 40-day trip to 13 Asian, African, and Caribbean nations, including Cuba.

Described by Echeverria as his most important trip abroad during his administration, the journey is calculated to strengthen Mexico's and Echeverria's ties with Third World countries. Laying the groundwork for increased trade will be a secondary goal.

Another major concern at each stop will be the promotion of Echeverria's ambitions to become the next secretary general of the UN. Press stories speculating on Echeverria's candidacy have been appearing for several weeks, and last week the campaign apparently began in earnest when Foreign Minister Rabasa raised the matter officially with a European diplomat.

Echeverria is certain to dwell at length on concepts contained in the UN Charter of Economic Rights and Duties of States, which he sponsored. The charter, which attempts to reorder priorities in international economic activity, is his chief claim to recognition in the Third World.

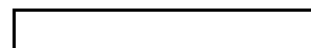
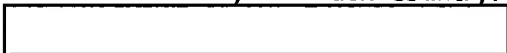


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The Cuba visit, set for the end of the trip, will fulfill a desire to meet with Castro that Echeverria is said to have had for some time. In recent weeks, two Caribbean leaders—Williams and Burnham—have gone to Cuba, and Echeverria apparently now considers it important to demonstrate Mexico's "bold and independent" foreign policy by meeting with Castro while Cuba is still an outcast among Latin nations.

Echeverria will be visiting Guyana, Senegal, Algeria, Tanzania, Iran, India, Sri Lanka, Egypt, Saudi Arabia, Kuwait, Israel, Trinidad-Tobago, and Cuba, spending about three days in each country.

25X1



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25X1

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Next 1 Page(s) In Document Exempt

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